

HOOD CANAL COORDINATING COUNCIL

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

December 31, 2004

HOOD CANAL COORDINATING COUNCIL

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INDEPENDENT AUDITOR'S REPORT

August 29, 2005

To the Board of Directors
Hood Canal Coordinating Council
Poulsbo, Washington

We have audited the accompanying statement of financial position of the Hood Canal Coordinating Council (a non-profit corporation) as of December 31, 2004 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hood Canal Coordinating Council as of December 31, 2004 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



BALL & TREGER, LLP

**HOOD CANAL COORDINATING COUNCIL
STATEMENT OF FINANCIAL POSITION
December 31, 2004**

ASSETS

Cash	\$ 59
Grants receivable	71,050
Prepaid expenses	<u>2,275</u>
Total current assets	73,384
 Furniture and equipment	
Furniture and equipment	22,688
Less accumulated depreciation	<u>(13,829)</u>
Total furniture & equipment, net	<u>8,859</u>
 Total assets	 \$ <u><u>82,243</u></u>

LIABILITIES AND NET ASSETS

Overdraft payable	\$ 1,391
Accounts payable	10,848
Payroll tax payable	1,757
Employer retirement contribution payable	21,661
Annual leave liability	7,408
Line of credit	<u>500</u>
Total current liabilities	43,565
 Net assets	
Unrestricted	<u>38,678</u>
Total net assets	<u>38,678</u>
 Total liabilities and net assets	 \$ <u><u>82,243</u></u>

The accompanying notes are an integral
part of these financial statements

HOOD CANAL COORDINATING COUNCIL
STATEMENT OF ACTIVITIES
Year ended December 31, 2004

Revenue	
Dues - Note 4	\$ 30,000
Grants - Note 5	482,038
Other Income	162
Total revenue	<u>512,200</u>
Expenses	
Program	454,026
Management and general	68,668
Total expenses	<u>522,694</u>
Change in net assets	(10,494)
Net assets, beginning of year	<u>49,172</u>
Net assets, end of year	<u><u>\$ 38,678</u></u>

The accompanying notes are an integral
part of these financial statements

**HOOD CANAL COORDINATING COUNCIL
STATEMENT OF CASH FLOWS
Year ended December 31, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (10,494)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	4,475
Increase in accounts receivable	(11,662)
Increase in prepaid expenses	(714)
Increase in overdraft payable	1,391
Decrease in accounts payable	(20)
Increase in payroll taxes payable	1,757
Increase in employer retirement contribution payable	4,114
Increase annual leave liability	3,085
Increase in line of credit	500
Net cash used by operating activities	<u>(7,568)</u>
Net decrease in cash	(7,568)
Cash - December 31, 2003	<u>7,627</u>
Cash - December 31, 2004	<u>\$ 59</u>

The accompanying notes are an integral
part of these financial statements

**HOOD CANAL COORDINATING COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2004**

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Bank charges	0	125	125
Payroll	184,120	32,492	216,612
Payroll tax expense	19,340	3,413	22,753
Compensated absences	2,623	463	3,086
Employer retirement contribution	18,412	3,249	21,661
Employee medical insurance	12,375	2,184	14,559
Copy/Printing	589	588	1,177
Conference	2,903	0	2,903
Contribution	250	0	250
Depreciation	0	4,475	4,475
Insurance	0	6,730	6,730
Office supplies	7,923	1,398	9,321
Phone/Fax/Internet	8,543	1,508	10,051
Postage	266	47	313
Prof fees-acctg	0	9,540	9,540
Prof fees-subcontracts	175,439	0	175,439
Prof fees-others	2,299	0	2,299
Rent	5,199	1,733	6,932
Travel & training	13,745	723	14,468
	<u>\$ 454,026</u>	<u>\$ 68,668</u>	<u>\$ 522,694</u>

The accompanying notes are an integral
part of these financial statements

HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 1 – DESCRIPTION OF ORGANIZATION

Hood Canal Coordinating Council (the "Council") is located in Quilcene, Washington. The Council was established in 1985 under an interlocal agreement between Jefferson, Kitsap, and Mason Counties and Port Gamble S'Klallam and Skokomish Tribes. The Council was formed in response to concerns about water quality problems and related natural resource issues in the Hood Canal watershed. The Council's primary activity is to assure the existence of wild salmon in Hood Canal for the next 150 years.

On November 21, 2000, the Council became a Washington non-profit corporation. Prior to its establishment as a corporation, Kitsap County processed the Council's financial activities. The initial funding of the Council as a non profit corporation was the transfer of the net assets held by the County. This amount totaled \$18,543 and was recorded as a contribution for the year ended December 31, 2001. Income of the Council is derived primarily from local counties and tribes dues and state grants funding specified projects.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation: The Council has adopted Statement of Financial Accounting Standards (SFAS) No.117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No.117, the Council is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Federal Income Taxes: On July 3, 2002, the Council received notice from the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code retroactive to November 21, 2000.

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair market value if donated. The Council follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500.

Depreciation: Depreciation is provided on a straight-line method over the estimated useful lives of the assets, five to seven years.

Cash Equivalents: For purposes of the statement of cash flows, the Council considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Programs consist of salmon recovery planning, habitat monitoring assessment program, and the Hood Canal Community Near Shore Restoration program. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 3 – LEASES

The Council leases office space from the USDA Forest Service in exchange for the USDA Forest Service's membership in the Council. The amount recognized as revenue and an expense in 2004 was \$5,000.

The Council leases cars from the Port Gamble Band of S'Klallam Indians, a member of the board. The lease is an operating lease and total payments of \$5,648 were made in 2004.

The Council leases two laptops from Dell Computers. The term is 24 months. Total lease payments made in 2004 was \$2,117.

NOTE 4 – DUES

Dues are paid primarily by counties and tribes surrounding the Hood Canal that wish to participate in the activities and Board of Directors of the Council. Dues for the year ended December 31, 2004 consisted of the following:

Kitsap County	\$ 10,000
Jefferson County	10,000
Mason County	2,500
United States Forest Service	5,000
Port Gamble S'Klallam Tribe	<u>2,500</u>
	<u>\$ 30,000</u>

NOTE 5 – GRANTS and CONTRACTS

Grants and contracts are received by the Council to further their mission. Grants and contract revenues and receivables are recorded to the extent of costs incurred and billable as most grants and contracts are cost reimbursable. For the year ended December 31, 2004 grants and contracts were received by the council from the following entities:

WDFW SRLE Grant 03-04	\$ 25,671
WDFW SRLE 04-05	34,656
Tech Panel	9,274
IAC SRP 03-05	303,552
IAC Habitat Assessment 01-1393N	34,516
PIE CNRP	17,156
PSAT LOW DO	20,000
NW Indian Fisheries Commission	12,858
PSAT 319 Match	<u>24,355</u>
	<u>\$ 482,038</u>

**HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 6 – LINE OF CREDIT

The Council obtained an unsecured revolving credit loan on May 18, 2004 with a maximum limit of \$5,000 at an annual rate equal to prime rate plus 2%. Interest is payable monthly with the principal payment due at maturity. Maturity date is May 15, 2005. Outstanding borrowing at December 31, 2004 was \$500.

NOTE 7 – RETIREMENT PLAN

As part of employee benefits, Hood Canal Coordinating Council established a 401(k) cash or deferred plan in 2003. All employees, who were employees as of January 1, 2003, became eligible to participate in the plan. Future employees will become eligible upon reaching age 21 and after completing 1 hour of service. In 2004, there were five employees that were eligible to participate. The vested interest in all employee accounts will be 100% at all times. For the year ended December 31, 2004 the employer's discretionary contribution was \$21,661, 10% of the participants' salaries.